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## FEATURED Q&A

# Will Latin America's Swing to the Right Usher in Growth?



Chile's Sebastián Piñera is among the conservative presidents elected over the past year in Latin America. // File Photo: Chilean Government.

**Q** Several countries in Latin America have shifted toward more conservative governments this year, as Chile's Sebastián Piñera and Colombia's Iván Duque took office, and Brazil elected far-right candidate Jair Bolsonaro as its next president. Each has pledged to reduce the state's role in the economy and promote private sector growth. What will it take for the three countries to make a successful transition toward more liberal economies? What stands in the way? How can startups and technology firms take better advantage of presumably more business-friendly environments, and how much of a role will they play in driving economic growth in the period ahead?

**A** Maria Fernanda Teixeira, CEO of Integrow: "The good news is that society is at its limit of having governments that are not listening to the demands and needs of the population. This has opened doors for far-right candidates to come with promises to change the status quo, which is marked by corruption, a lack of security, a lack of affordable health care services and a big income gap between classes. Thanks to the Internet and digital world that broke communication barriers, information is now more democratic and in our hands. Social media was also an important tool in the last elections. The newly elected presidents come with promises that they will work hard to resolve and/or minimize their countries' problems, and populations expect that promises will be implemented. In case of Brazil, the biggest challenge is the urgent and necessary pension reform. Pensions have meant a big black hole for the internal deficit, which is increasing year by

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## Migrants Shelter in Mexico City, Debate Whether to Continue to U.S.

Some 4,500 migrants are sheltering at a stadium in Mexico City, and hundreds more joined them on Wednesday.

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## Brazil Auto Sales Reach Nearly Four-Year High

Sales of new cars, trucks and buses surged nearly 27 percent in October as compared to the same month last year. Brazil has been slowly emerging from its deep recession.

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### POLITICAL

## Ecuador's Correa Ordered to Stand Trial in Abduction

A judge on Ecuador's highest court ordered former President Rafael Correa to stand trial in connection with the brief 2012 kidnapping of an opposition lawmaker. Correa, who lives in Belgium, denies wrongdoing.

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Correa // File Photo: Ecuadorean Government.

## POLITICAL NEWS

## Ecuador's Correa Ordered to Trial Over Kidnapping

Ecuador's highest court on Wednesday ordered former President Rafael Correa to stand trial in connection with the brief 2012 kidnapping of an opposition member of Congress, El Comercio reported. Last September, Correa was charged with orchestrating the abduction of Fernando Balda in Bogotá, where he said he had fled in order to escape political

“We can't celebrate the fact that these criminal acts were ordered by a president.”

— Fernando Balda

persecution, the Associated Press reported. In addition to ordering Correa to stand trial, Judge Daniella Camacho also ruled that the former president's intelligence chief, Pablo Romero, and two police agents, Raúl Chicaiza and Diana Falcón, should also be tried in connection with the case, El Comercio reported. Camacho also declared Correa, who was in office from 2007 to 2017, a “fugitive” because he failed to appear before the court every 15 days as part of the investigation into the kidnapping, the AP reported. Correa has been living in Belgium since leaving office last year. Authorities in Ecuador have sought Correa's arrest and extradition. Correa has denied wrongdoing and has called the accusations against him politically motivated and orchestrated by his former protégé, current President Lenín Moreno, who broke with Correa after taking office. “We expected something like this because for weeks we've been witnesses to the uncontrolled political pressure being applied to the judge,” Correa's attorney, Caupolicán Ochoa, said outside the courtroom, the AP reported. On Wednesday, before the judge issued her ruling,

Correa said the charges against him were a “farce,” adding that he was more worried about Ecuador's future than the kidnapping case. In the case, Balda was briefly abducted, but taxi drivers alerted police, who stopped the vehicle in which he was being driven away. Authorities in Colombia later determined that Balda's kidnappers had been hired by three Ecuadorian intelligence agents. In a statement, Balda said he could not be happy about Correa being ordered to stand trial. “We can't celebrate the fact that these criminal acts were ordered by a president,” he said. Correa is not likely to stand trial soon because such a trial can only happen if he returns to Ecuador. If convicted, he could face as many as 12 years in prison. In addition to Correa, some of his top aides have also faced legal troubles. His vice president, Jorge Glas, was sentenced last December to six years in prison in connection with the massive graft scandal involving Brazilian construction conglomerate Odebrecht. Several other Correa aides have either been under investigation or jailed for corruption.

## Migrants Shelter in Mexico City, Debate Whether to Continue

Hundreds of Central American migrants on Wednesday arrived at the Jesús Martínez stadium in Mexico City, where about 4,500 others have already taken shelter and continue to deliberate over offers to stay in Mexico instead of continuing on to the United States border as initially planned, the Associated Press reported. Members of the caravans of migrants, which President Donald Trump made a central issue ahead of the U.S. midterm elections, will likely remain in the stadium for several more days, according to the report. Mexico's government has offered asylum or work visas to many of the migrants, issuing 2,697 temporary visas to individuals and families while they wait for the 45-day application process to stay in Mexico legally. City employees and volunteers have been providing the new arrivals with donations of food, clothing and basic necessities. Migration from Latin America and the Carib-

## NEWS BRIEFS

## Former Head of Peru's National Police Arrested in Human Trafficking Ring

Authorities in Peru on Tuesday arrested the former head of the national police service, General Raúl Becerra Velarde, and more than a dozen others accused of orchestrating a human trafficking ring that sold babies and children taken from vulnerable women, The New York Times reported. Prosecutors had been investigating the organization, which operated in the Arequipa region, since May. Becerra, 61, ran the police force from 2010 to 2011 before retiring. His girlfriend, Cinthia Carolina Tello Preciado, is the alleged leader of the scheme.

## Puerto Rico's Senate Approves Energy Policy Legislation

Puerto Rico's Senate has passed a proposed regulatory framework and energy policy bill that would end the monopoly of the island's bankrupt utility, the Puerto Rico Electric Power Authority, or Prepa, as well as address climate change, Caribbean Business reported Wednesday. The legislation would end the use of coal for power generation entirely within 10 years and calls for Puerto Rico to generate power using only renewable energy by 2050. The measure is now expected to go to the U.S. territory's House of Representatives for a vote.

## Moody's Acquires Stake in ICR Chile

New York-based Moody's Corporation said Wednesday that it has agreed to acquire a minority stake in ICR Chile, a provider of domestic credit ratings in the South American country. The transaction extends Moody's presence in Latin America to eight countries. Under the deal, ICR Chile will become an affiliate of Moody's Investors Service and will continue to issue domestic ratings with an independent analytical and rating committee process.

bean has risen by more than 50 percent since 2000, The Telegraph reported last week, citing United Nations data. Seventeen years ago, 24.6 million people left their home country, but the figure rose to 38 million last year, with nearly 85 percent leaving Latin America and the Caribbean entirely. "It's difficult to pinpoint one factor as the most important, but the overall trigger is insecurity," Manuel Orozco, a program director with the Inter-American Dialogue told the newspaper. [Editor's note: See related [Q&A](#) in the Oct. 29 issue of the Advisor.]

## ECONOMIC NEWS

# Brazil's Auto Sales Reach Nearly Four-Year High

Auto sales in Brazil last month reached a nearly four-year high, automotive trade group Anfavea announced on Wednesday, Reuters reported. Sales of new cars, trucks and buses surged nearly 27 percent in October as compared with a year earlier to nearly 255,000 vehicles, the most since December 2014. "This means that we are coming back to the years when we had a very strong market," Anfavea President



Megale // File Photo: Agência Brasil.

Antonio Megale told journalists at an auto show. Brazil has been slowly emerging from its deepest recession in modern history. However, exports of Brazilian-made autos are likely to fall this year by more than originally forecast, according to Anfavea, due to economic troubles in neighboring Argentina, where the peso had fallen in value by 40 percent earlier this

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year. Security and crime are also challenges and demand a consolidated strategy, involving the military, as well as federal, state and municipal security organizations. Another important action will be the reduction of government/public companies, normally a seed for corruption and a huge loss of money. Over the past years, governments have

“The good news is that society is at its limit of having governments that are not listening to the demands and needs of the population.”

— Maria Fernanda Teixeira

increased the number of public companies, and now the opposite must happen. Brazil has 418 state-owned companies, far more than most other countries in the world. President-elect Bolsonaro will have to be very courageous and have a strong ability to push needed changes through Congress. During the presidential campaigns, all candidates had positive messages and made promises on how to improve the business environment, to reduce time needed to open new companies, to consolidate taxes, and to support the new and explosive world of startups. Entrepreneurs and executives are in a fresh mood with these new leaders and are already discussing and making decisions on new investments. This will help create new jobs and reduce unemployment in Latin America. It is better to risk something new

year, Reuters reported. In related news, Nissan announced today that its sales rose strongly in Latin America in its most recent quarter, at 4.3 percent, with Brazil among its stronger performers in sales volumes worldwide. Earlier this week, fellow Japanese automaker Toyota announced a \$280 million investment for its

than have the certainty of the past politicians.”

**A** **Michael Reid, “Bello” columnist and senior editor for Latin America and Spain at The Economist:** “Recent elections have seen a pronounced swing to the right and center-right in South America following a long period of dominance by the left (and the opposite move in Mexico). One of several factors behind this is years of economic stagnation since the end of the commodity boom. The new governments in Chile, Colombia and Brazil are all pledged to boost economic growth by helping the private sector. But their starting points are different. After the whirlwind of reforms from Michelle Bachelet, Chile needs a predictable policy framework. The governments of both Sebastián Piñera in Chile and Iván Duque in Colombia have proposed tax reforms aimed at lightening the burden on companies. In both cases, the politics are fraught. Brazil has the most to do: recession, heavy-handed regulation and distortionary policies under Dilma Rousseff exacted a heavy toll. Investment has slumped, and Brazil ranks a lowly 125 (out of 190) in the World Bank’s Doing Business 2018 rankings. Jair Bolsonaro’s economic supremo, Paulo Guedes, promises privatizations and a bonfire of regulation. Investors will be watching how fast and decisively the new government moves on the pension reform required to stabilize the public finances, how long the combustible Mr. Guedes lasts and how conflict-ridden Bolsonaro’s Brazil will be. With the workforce growing much more slowly, Latin America depends on productivity, competitiveness

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Indaiatuba factory in São Paulo state, Just Auto reported. The plant produces the company’s Corolla sedans. In the first eight months of 2018, the Corolla model posted 38,159 registrations in Brazil, making up 44 percent of total sales in its market segment, according to the report.

## FEATURED Q&amp;A / Continued from page 3

and innovation to raise economic growth. Start-ups and tech firms can be part of that, but the imperatives apply across the board.”

**A** **Oscar Ardila, senior associate at Avenida Capital:** “Among the options available, there are several factors influencing the potential for private-sector growth in the region: the promotion of private enterprise creation and growth, consumption and demand both locally and internationally, and fostering an environment where capital availability and structures are favorable and allow for competition. First, in order to promote private enterprise creation and growth, consumption and demand, there are key aspects to consider. At the local level, removing regulatory barriers for registering business, policies promoting the formalization of diverse hiring practices in line with innovative business models, and strong macroeconomic frameworks that keep in balance interest rates and inflation, all have the potential to foster both enterprise development and consumption. Likewise, internationally, Latin American economies have the opportunity to promote economic integration through initia-

tives such as the Pacific Alliance to create sets of common rules and expand the size of the market for local enterprises. Second, regarding capital availability and optimal capital structures that promote competition, it is also necessary to look both at internal and external condition. Internally, it is necessary to facilitate the transfer of interest rate cuts enacted by central banks to the general economy and to create investment incentives in fast-growing and high-impact sectors that align with development goals and policies. Externally, reducing barriers to FDI and strengthening investor protection frameworks have the potential to increase the availability of diverse capital. Two of the factors standing in the way of economic growth at the moment seem to be the trade tensions that put pressures in the price of commodities and the need for progressive social policies that allow for a sustained reduction of poverty levels and inequality, which cannot be left aside by right-wing parties in power.”

*The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta at [gkuleta@thedialogue.org](mailto:gkuleta@thedialogue.org).*

## LATIN AMERICA ADVISOR

is published every business day by the Inter-American Dialogue, Copyright © 2018

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**Latin America Advisor** is published every business day, except for major U.S. holidays, by the Inter-American Dialogue at 1155 15th Street NW, Suite 800 Washington, DC 20005

[www.thedialogue.org](http://www.thedialogue.org)

ISSN 2163-7962

Subscription inquiries are welcomed at [freetrial@thedialogue.org](mailto:freetrial@thedialogue.org)

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# Advisor Video

## What is the Economic Outlook for Latin America?

An Inter-American Dialogue discussion with Jorge Roldos & Krishna Srinivasan, IMF and Andrew Powell, Inter-American Development Bank

View a webcast of the Nov. 1 discussion.

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